

Montana Department of Commerce

Corporate Image Assessment

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Executive Summary

As Montana develops programs to attract additional businesses to the state, it is important to know how companies currently view the state, how they view Montana's key competitors, and what factors can be used to convince businesses to consider Montana. This research explores Montana's current image among businesses in the West and Midwest that employ 50-250 employees and are in selected SIC codes.

Generally, companies are satisfied with the business climate in their current locations, although they are not *strongly* satisfied. Past research indicates that people or companies that are "very satisfied" are likely to be *loyal*. Approximately a third of the companies (37%) indicated that they might consider moving to another location.

When evaluating the business climate of a state, businesses consider four groups of attributes or factors. The following shows each factor and its importance rating. Respondents rated each feature using a 5-point scale, where the higher the number, the more important the feature. The following table shows the mean rating of each feature and the percentage of people that gave the attribute the highest rating. With this scale, a rating of 4 or higher denotes a feature of significant importance. Lower scores indicate features of lesser importance or importance to only a segment of the companies.

Education and Access	
Quality of the workforce	4.47
Ease of attracting skilled workers	4.26
Access to major customers	4.14
Education level of workforce	3.98
Access to major markets	3.92
Technology infrastructure	3.86
Air service and direct flights	3.34
Availability of local college/univ.	3.12
Average	3.89

Community	
Quality of life	4.20
Prevailing wage rates	3.76
Transportation system	3.51
Local unemployment rate	3.35
Attitude/involvement local officials	3.33
Community amenities such as arts	3.05
Average	3.53

Financial Issues	
Tax climate	3.79
Regulatory climate	3.66
Workers compensation tax	3.49
Availability of venture capital	3.08
Average	3.51

Outdoor Recreation	
Availability outdoor recreation	2.78

By considering the individual attribute ratings of each factor, a composite score can be calculated. This provides a ranking of the ratings given to the various states. The index shows how the rating for each state compares to the average of all state ratings. California and Texas earned the highest ratings. Unfortunately, Montana received the lowest rating, although it is close to Idaho. There is significant difference between the leaders and Montana. As such, Montana is faced with having to significantly improve its image.

State	Rating	Index
California	3.61	110
Texas	3.60	110
Colorado	3.54	108
Washington	3.47	106
Oregon	3.28	100
Nevada	3.21	98
Utah	3.16	97
Oklahoma	3.07	94
Idaho	2.93	89
Montana	2.89	88

Having looked at each state, it is also important to note how they compare. Montana is competing against other states. As such, it is important to understand the key image for each state and the manner in which Montana differs from that.

- Four states are most strongly positioned in Education and Access. Three of these states – California, Washington, and Colorado offer businesses skilled workers and access to markets, while Utah is better known for its educated workforce.
- Texas and Oregon are considered as strongest overall for Community-related Features. Both these states won relatively high scores in other areas, but in a

comparative context, they are strongest for community amenities and transportation.

- Nevada is viewed as a state with a good tax and regulatory climate, offering outdoor recreation opportunities. It is not strong in other areas.
- Respondents had weaker imagery perceptions of Oklahoma and Idaho and neither state was viewed positively in any major category. These two states are not strong competitors for Montana.
- Montana does not have a well-developed image among businesses, generally earning below average ratings. The key perceived strengths are that the state offers the availability of outdoor recreation and a good quality of life.

Montana will be challenged to change its image among companies, making it more appealing as a business location. Promoting the quality of the workforce, the educational level of the workforce, and the ability to attract skilled workers will be the best options for creating a more positive image. In addition, other important attributes to promote include the state's technology infrastructure and access to markets and customers.

Montana's current image was not strong among the surveyed companies. However, rather than negative attitudes, this can seemingly be attributed to a lack of information. While Montana's ratings were below average, they skewed to the neutral rather than the negative. Montana should continue to educate companies about the state. The most effective strategy may be to first focus the message on key issues and then expand it over time as the state's overall image improves.

Background & Objectives

The key to a strong state economy is a good mix of businesses and the ability to grow and diversify. To that end, most states have departments dedicated to promoting the state and attracting new business. Montana's governor and legislature are interested in making the state more business-friendly. The state's success in this area depends upon companies being aware of Montana and all that it offers them. As such, the state wants to explore its existing business image among the type of companies it would like to attract and to understand how Montana's business image compares to that of its competitors.

By exploring the state's current business image, the most effective ways can be found to influence corporate perceptions in a positive way. In addition to evaluating the state's current business image, we also attempt to identify messages that will enhance corporate interest in the state. Determining the appropriate message is somewhat difficult, as it is necessary to understand the current image of the state as well as what features and attributes are most appealing to businesses looking for new locations.

This research explores how companies evaluate different states and what is important to them in the process. Additionally, companies were asked to evaluate Montana and a number of competitors to determine current business image and competitive positioning. The specific informational objectives of this research effort include:

- Explore the features that are important to business people in evaluating business locations
- Determine Montana's current image among relevant business owners/managers as a place to operate a business
- Identify the state's perceived strengths and weaknesses as a business location as well as any barriers to consideration
- Profile the competitive states and identify their perceived strengths and weaknesses
- Explore differences in the image of Montana between business people in the West and those in the Midwest
- Provide conclusions and recommendations regarding Montana's current image and how the state can best market itself as an appealing location for potential businesses

Methodology

To gather intelligence for this effort, a telephone survey was conducted among 300 companies. A telephone methodology was chosen because it ensured that the correct person completed the survey and provided the opportunity to tailor each survey to the respondent. The surveys were conducted from SMRI's Indianapolis phone center using trained interviewers. The survey was conducted using computer-aided techniques to enhance the accuracy of data collection.

The survey was conducted among a list of selected businesses. The sample for this survey was purchased from Dunn & Bradstreet based on criteria developed in conjunction with the client. The companies were from select states and SIC codes were representative of companies with 50 to 250 employees. A quota of 200 companies from the Western states and 100 from the Midwestern states was established. The following states and SIC codes were included in the survey:

States:	SIC Codes/Company Types
Western States	Agricultural Services
Washington	Sausages & Meat products
Oregon	Flour/Grain Milling
Idaho	Cereal Breakfast foods
Colorado	Prepared Feeds for Animals and Fowls
Utah	Prefabricated Wood Building Components
Nevada	Small Arms
California	Electronic Components
Texas	Aircraft Parts & Equipment
Oklahoma	Optical Instruments
Midwest States	Medical & Dental Instruments & Supplies
Illinois	Credit Reporting
Missouri	Printing Services
Kansas	Mailing Services
Indiana	Computer Data Processing
Minnesota	Computer Facilities Management
Iowa	Medical & Dental Laboratories
	Engineering & Architectural Services
	Commercial Physical Research
	Commercial Non-Physical Research
	Testing Laboratories
	Business Consulting

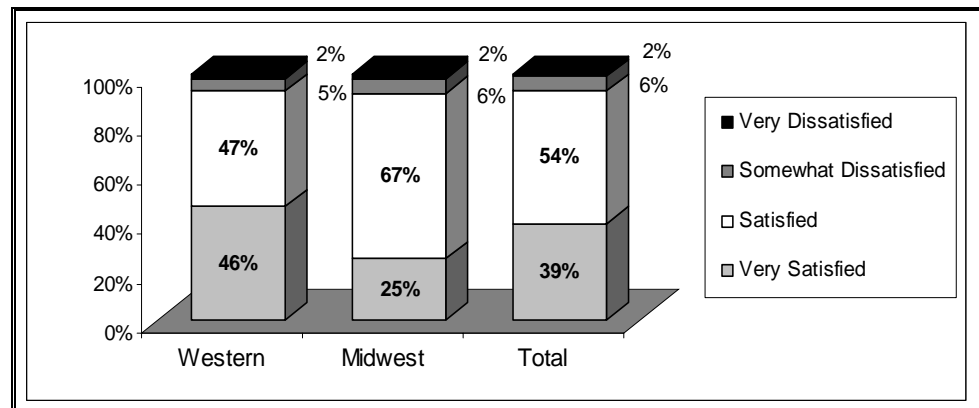
The survey instrument was designed to assess the importance of various features in evaluating a business location and rate several states on their performance in these areas. To assist in this process, Strategic Marketing & Research, Inc. conducted executive interviews with five businesses located in Montana. These interviews helped to identify key considerations among companies. The questionnaire was designed to allow the use of perceptual mapping, a specific statistical technique in the survey and analysis process. A copy of the questionnaire is included in the Appendix. Upon completion of the data collection effort the data strings were cleaned, coded, and tabulated for analysis. The following summarizes the key findings and forwards conclusions and recommendations.

Current Attitudes

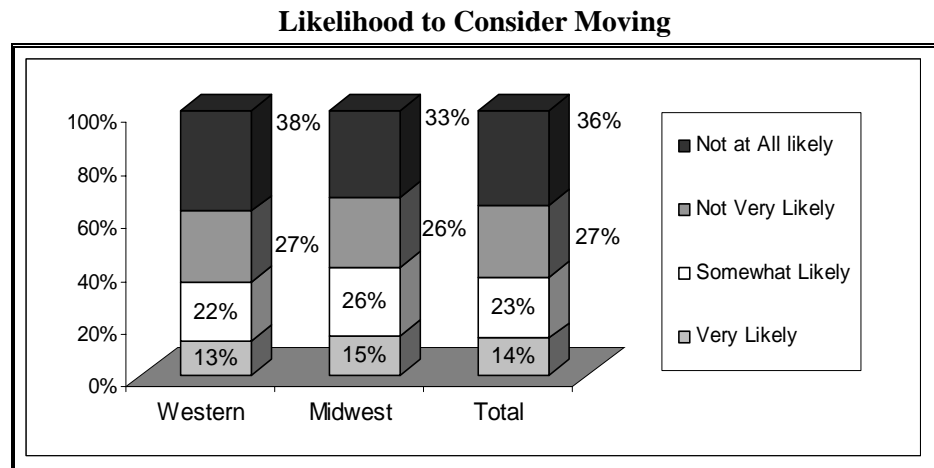
The surveyed companies were not necessarily considering a move nor were they in the process of selecting a new business location. Since the goal of the research was to determine Montana's current image and its perceived strengths and weaknesses, a sample of businesses of the size and type that Montana wants to target was used. This group was questioned about their satisfaction with their current location and their willingness to consider another location.

Generally, companies are satisfied with the business climate in their current locations, although they are not *strongly* satisfied. Past research indicates that people or companies that are "very satisfied" are likely to be *loyal*. It is interesting to note that companies in the Western states are much more satisfied than Midwestern state companies. This may signal opportunity for Montana and reason to consider this region for future efforts. Still, fewer than half the companies in the Western states are *strongly* satisfied, also suggesting opportunity in this region.

Satisfaction with Current Location



These ratings imply that a significant number of companies might consider moving their businesses to new locations or opening new locations in another state. While fewer than half indicate likelihood to move, this is a large number among a random sample. Montana is challenged to create a generally positive image so that when a company considers a move, the state merits careful scrutiny.



Assessing Locations

For Montana to develop a meaningful marketing program, the state must first understand how companies evaluate different locations. By knowing what features convince companies that a state has a good business environment, Montana can develop an effective marketing venture. To identify features that are important to companies, several reps from companies that had chosen a business location were surveyed.

The Montana Economic Development Division provided SMRI a list of companies that had recently moved to the state. SMRI called a sample of these companies to discuss their decision and various features of importance during the selection process. With this information, a list of attributes was fashioned that could be used to describe issues of concern or *motivators* to companies considering a move.

To discern what is important to companies in the decision process, respondents were asked to evaluate nineteen attributes. These attributes relate to the quality of life, the financial climate, the quality of workers, and various other features. Respondents rated each feature using a 5-point scale, where the higher the number, the more important the feature. The following table shows the mean rating of each feature and the percentage of people that gave the attribute the highest rating. With this scale, a rating of 4 or higher denotes a feature of significant importance. Lower scores indicate features of lesser importance or importance to only a segment of the companies.

Importance of Features

Features relative to the quality and education of the workforce received the highest ratings. In fact, over 50% of the companies said that the quality of the workforce was the most important. Four features were rated 4 or higher and two related to workforce. In addition, the quality of life and access to major customers were critical issues.

A number of other important features were rated between 3.5 and 4. These include access to markets, technology infrastructure, taxes, the regulatory climate, transportation, and wages. While approximately 25% - 33% of the companies identified these features as *very important*, a majority rated them as contributing to a strong business climate. On the other hand, not all the features were considered generally important. Those that received a rating below 3.5 were very important to only a small segment of companies or were generally viewed as less important. Interestingly, while quality of life is considered very important, community amenities such as arts and culture and the availability of outdoor recreation were the two lowest rated features.

	Mean Rating	% Gave Highest Rating
Quality of the workforce	4.47	58.2%
Ease of attracting skilled workers	4.26	48.8%
Quality of life	4.20	38.8%
Access to major customers	4.14	48.5%
Education level of workforce	3.98	35.8%
Access to major markets	3.92	37.8%
Technology infrastructure	3.86	31.4%
Tax climate	3.79	26.8%
Prevailing wage rates	3.76	25.1%
Regulatory climate	3.66	25.4%
Transportation system	3.51	23.4%
Workers compensation tax	3.49	20.4%
Local unemployment rate	3.35	18.1%
Air service & direct flights	3.34	17.4%
Attitude/involvement local officials	3.33	17.1%
Availability of local college/univ.	3.12	12.0%
Availability of venture capital	3.08	12.7%
Community amenities such as arts	3.05	9.4%
Availability of outdoor recreation	2.78	5.0%

While this review is interesting and revealing, it fails to fully capture how companies evaluate locations. As such, it helps to consider which attributes companies group together. Using statistical procedures, the attributes were grouped into four categories, which indicate the *dimensions* of the decision process.

*Education
& Access*

The attributes that are most important to companies involve workforce and access. This factor includes many of the highest rated attributes and all the features relative to skilled workers. In fact, these factors might be considered those that relate to a more “developed” destination, especially given that air service and direct flights are included. Note that given the average rating for this factor of 3.89, educated and skilled workers are quite important to many companies.

Education and Access	
Quality of the workforce	4.47
Ease of attracting skilled workers	4.26
Access to major customers	4.14
Education level of workforce	3.98
Access to major markets	3.92
Technology infrastructure	3.86
Air service and direct flights	3.34
Availability of local college/univ.	3.12
Average	3.89

*Community-
related
Features*

The second most important factor that companies consider when evaluating locations involves “community-related” features. Quality of life is the key attribute in this grouping although other features such as transportation, wages, the involvement of local officials, and community amenities are also included. Companies consider these features in determining whether an area offers a good quality of life. The factor average of 3.53 denotes importance to companies.

Community	
Quality of life	4.20
Prevailing wage rates	3.76
Transportation system	3.51
Local unemployment rate	3.35
Attitude/involvement local officials	3.33
Community amenities such as arts	3.05
Average	3.53

*Financial
Issues*

The third factor, which is almost as important as the second, revolves around financial issues. It includes tax issues, the regulatory climate, and the availability of venture capital. Note that companies group the financial issues and that they are distinct from both worker and community issues. This aspect helps to distinguish locations. While none of these features were rated “very important,” as a whole, financial issues were important, as indicated by the factor average of 3.51.

Financial Issues	
Tax climate	3.79
Regulatory climate	3.66
Workers compensation tax	3.49
Availability of venture capital	3.08
Average	3.51

*Outdoor
Recreation*

The final factor is represented by a single attribute. When companies rate locations, the availability of outdoor recreation is viewed separately. Though this factor is relatively unimportant to many companies, it is a differentiating characteristic.

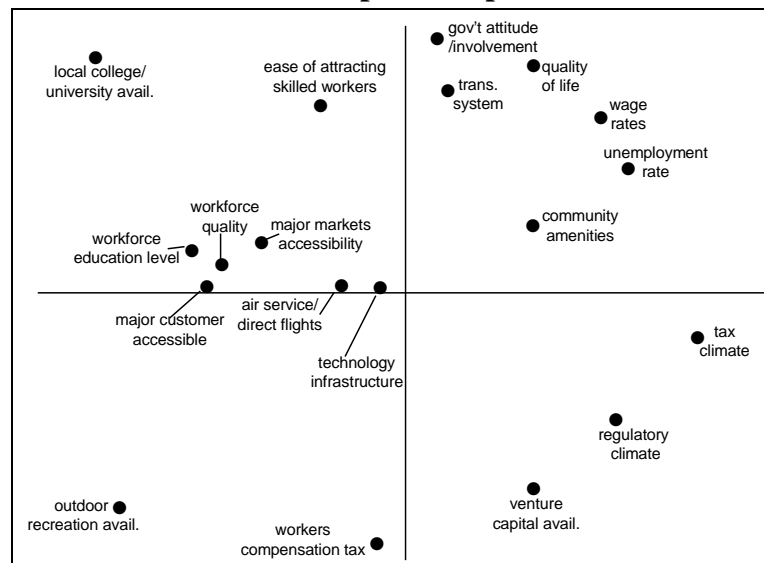
Outdoor Recreation	
Availability of outdoor recreation	2.78

Inter-relation of Factors

It is a challenge to assess this information relative to the manner in which companies combine these evaluations to form a destination's overall image. As the importance assessment shows, each factor includes some features that are much more important than others. In addition, it is important to understand whether strength in one area then becomes the overall image or whether the image is a complex inter-relation of features and factors. To accomplish this goal, a statistical procedure called *perceptual mapping* was used. Perceptual mapping analyzes the importance rating that respondents give each feature and the ratings for each state to create a "map" that visually depicts correspondence between the two.

The perceptual map below depicts the position of each attribute. The upper left quadrant includes the Education and Access attributes, the upper right quadrant includes the Quality of Life attributes, the lower left quadrant is Outdoor Recreation, and the lower right quadrant is Financial Issues.

Perceptual Map



Interestingly, the map shows similar features as being close to each other on the map and dissimilar features being far apart on the map. For example, the financial attributes are relatively far away from the education attributes. This means that companies tend to differentiate places and view them as either strong financially or educationally. Companies also seem to differentiate between locations with a skilled workforce and those with a good wage rate. Analysis of this map highlights the various ways in which companies create an image of a destination. The easiest way to understand this analysis is to review the specific states. Before reviewing the state map, it is helpful to analyze each state, how it is perceived generally, and the perceived strengths and weaknesses of each.

State Evaluations

By considering the individual attribute ratings of each factor, a composite score can be calculated. This provides a ranking of the ratings given to the various states. The index shows how the rating for each state compares to the average of all state ratings. California and Texas earned the highest ratings. Unfortunately, Montana received the lowest rating, although it is close to Idaho. There is significant difference between the leaders and Montana. As such, Montana is faced with having to significantly improve its image. The state must identify a message that will be meaningful to companies and convince them that Montana is an appealing business location. This requires an investigation of why the states are viewed positively or negatively and how they are positioned on the map. (The following shows the composite scores for each state and an index that compares the individual state to the overall average. With an index a score of 100 shows that the rating is average, while higher than 100 shows the state did better and lower than 100 indicates a weaker rating. The following shows how the index was calculated for California: $(3.61/3.28)*100 = 110$)

State	Rating	Index
California	3.61	110
Texas	3.60	110
Colorado	3.54	108
Washington	3.47	106
Oregon	3.28	100
Nevada	3.21	98
Utah	3.16	97
Oklahoma	3.07	94
Idaho	2.93	89
Montana	2.89	88

A challenge of this type of evaluation is applying it and exploring the findings and their implications in the interest of providing strategic guidance. Companies evaluate each destination on individual attributes and in an overall context. The interaction of these attributes and factors results in an image for each state. This business image is not necessarily made clear by reviewing the individual ratings. The manner in which the features combine and the competitive element make this true.

Often, evaluative perceptions are influenced by the competitive landscape. For example, most people agree that a BMW is an expensive car. However, if you are considering a group of cars including Jaguar, Porsche, Ferrari, and Mercedes, the BMW may not seem expensive. This highlights the importance of context and the impact this can have on marketing and positioning. In any product category, there

are segments – the low price option, the high price option, the reliable product, and the innovative product. Each position can be effective – especially if your product can dominate a position.

In a like context, this research evaluates Montana’s image and provides a realistic competitive context for evaluation. This is important, as Montana wants to determine what message will position the state as a viable option and differentiate it from other states and competitive destinations.

This research employed a technique called perceptual mapping, which analyzes the respondents' ratings for each state and the manner in which the ratings inter-relate. This process “maps” each attribute, its position, and that of each state. A sort of push pull phenomenon occurs, as states are positioned near the attributes that characterize them or they are pushed away from attributes where performance is considered poor.

A review of each state and its strengths and weaknesses sets the stage for exploring each state’s image and location on the perceptual map. The four factors are used to evaluate each state and identify its differentiating features and factors.

California

California received the highest overall rating, at 3.61, the result of high scores in almost all areas. In fact, California earned an above average score in three of the four factors. Interestingly, California received a below average rating for the *availability of outdoor recreation*. This again highlights the importance of context, since many companies might believe that California offers a wealth of outdoor recreation opportunities. However, compared to states such as Montana, this is not considered one of California's strengths. Other perceived weaknesses include the prevailing wage rate and the workers' compensation tax rate.

What differentiates California is its performance in the Education and Access Factor and the availability of venture capital. The key for California seems to be access and the technology infrastructure. While the state is known for its amenities, it received weaker ratings in the Community Factor.

Education and Access Factor	Rating	Index
Air service and direct flights	4.33	128
Access to major customers	4.00	126
Technology infrastructure	4.00	121
Access to major markets	3.91	123
Availability of local college/univ.	3.73	108
Education level of workforce	3.47	103
Ease of skilled workers	3.42	109
Quality of the workforce	3.36	102
Average	3.78	115
Financial Issues		
Availability of venture capital	4.50	133
Workers compensation tax	3.40	113
Tax climate	3.21	99
Regulatory climate	3.11	100
Average	3.56	112
Community		
Community amenities such as arts	4.00	124
Transportation system	3.56	112
Local unemployment rate	3.43	109
Quality of life	3.38	96
Attitude/involvement local officials	3.23	99
Prevailing wage rates	2.95	95
Average	3.42	106
Outdoor Recreation		
Availability of outdoor recreation	3.60	95

Texas

Texas is a close second to California, with a 3.60 overall score. Texas earned above average ratings for *education*, *market access*, *financial issues*, and *quality of life*. Specific areas of strength for the state included availability of local colleges and universities, access to major markets, and the transportation system.

Texas received above average ratings for all attributes except for quality of life and outdoor recreation. Generally, Texas was considered to have a strong image and few perceived weaknesses. Although the state received a below average rating for quality of life, it won the highest rating for the factor – mostly due to strong ratings for transportation, community amenities, the unemployment rate, and the involvement of local officials. Compared to California, Texas is considered a state with a more reasonable prevailing wage.

Education and Access Factor	Rating	Index
Availability of local college/univ.	4.15	120
Access to major markets	3.96	124
Air service and direct flights	3.93	116
Access to major customers	3.77	119
Technology infrastructure	3.69	112
Quality of the workforce	3.64	110
Education level of workforce	3.38	101
Ease of skilled workers	3.38	108
Average	3.74	114
Financial Issues		
Availability of venture capital	3.86	114
Tax climate	3.55	109
Regulatory climate	3.35	107
Workers compensation tax	3.06	102
Average	3.45	108
Community		
Transportation system	3.65	115
Community amenities such as arts	3.58	111
Attitude/involvement local officials	3.57	110
Local unemployment rate	3.46	110
Quality of life	3.37	96
Prevailing wage rates	3.32	106
Average	3.49	108
Outdoor Recreation		
Availability of outdoor recreation	3.71	98

Colorado

Colorado earned a good rating, ranking third among all the states evaluated. While the state earned above average ratings in all four factors, *outdoor recreation* was considered Colorado's greatest strength, receiving the highest rating of all the states for this factor. Other strengths for Colorado included air service and direct flights, quality of life, and the ease of attracting skilled workers. In addition, the state was viewed as a strong performer in the Education and Access Factor. Colorado has a balanced rating, with few perceived weaknesses. The tax and regulatory climate were the only areas where Colorado received below average ratings.

Outdoor Recreation	Rating	Index
Availability of outdoor recreation	4.25	112
Education and Access Factor		
Air service and direct flights	4.23	125
Availability of local college/univ.	3.77	109
Ease of skilled workers	3.60	115
Education level of workforce	3.59	107
Access to major markets	3.53	111
Quality of the workforce	3.50	106
Access to major customers	3.46	109
Technology infrastructure	3.45	104
Average	3.64	111
Community		
Quality of life	4.04	115
Transportation system	3.50	110
Attitude & involvement of local officials	3.42	105
Local unemployment rate	3.38	108
Prevailing wage rates	3.35	108
Community amenities such as arts	3.29	102
Average	3.50	108
Financial Issues		
Availability of venture capital	3.50	104
Workers compensation tax	3.19	106
Tax climate	3.16	97
Regulatory climate	3.00	96
Average	3.21	101

Washington

Washington's rating of 3.47 is well above the average and is supported by the factor and attribute ratings. Washington won above average ratings in three of the four factors and an average rating for the Financial Factor. The state earned its highest ratings for *education and access* and *community*. The state was also considered above average for its availability of outdoor recreation. Washington was considered a place with a highly educated workforce and a place that could easily attract skilled workers.

The state was given average ratings for its financial climate, generally because of the ratings related to taxes. Most all the ratings were above or near average. Comparative weaknesses included the availability of local colleges and universities and community amenities.

Education and Access Factor	Rating	Index
Air service and direct flights	4.00	118
Education level of workforce	3.80	113
Ease of skilled workers	3.57	114
Technology infrastructure	3.52	107
Access to major markets	3.42	107
Quality of the workforce	3.41	103
Availability of local college/univ.	3.38	98
Access to major customers	3.30	104
Average	3.55	108
Community		
Transportation system	3.83	121
Quality of life	3.72	106
Prevailing wage rates	3.40	109
Local unemployment rate	3.31	106
Attitude/involvement local officials	3.30	101
Community amenities such as arts	3.18	99
Average	3.46	107
Outdoor Recreation		
Availability of outdoor recreation	4.00	105
Financial Issues		
Availability of venture capital	3.40	101
Regulatory climate	3.17	102
Workers compensation tax	3.17	105
Tax climate	3.06	94
Average	3.20	100

Oregon

Oregon earned an average rating of 3.28. This rating was produced by a mix of ratings and a perceived mix of strengths and weaknesses, which resulted in average ratings for each factor. On a comparative basis, Oregon did best in the financial issues area, where the state was considered to offer a strong tax and regulatory climate. Still, Oregon was thought to be lacking in the areas of venture capital and the workers' compensation tax. The state also won good ratings for having an educated workforce. A principal perceived weakness was access, with below average ratings for the transportation system, access to customers, markets, and air service. Oregon was also considered average for its outdoor recreation offerings. Overall, the state's image is built on some well-developed attributes, though geographically, it was considered a bit remote.

Financial Issues	Rating	Index
Tax climate	3.55	109
Regulatory climate	3.29	106
Availability of venture capital	3.29	97
Workers compensation tax	2.88	96
Average	3.25	102
Community		
Quality of life	3.65	104
Prevailing wage rates	3.32	106
Community amenities such as arts	3.25	101
Attitude/involvement local officials	3.24	99
Local unemployment rate	3.18	101
Transportation system	3.00	95
Average	3.27	101
Education and Access Factor		
Education level of workforce	3.56	106
Availability of local college/univ.	3.44	100
Quality of the workforce	3.34	101
Ease of skilled workers	3.32	106
Technology infrastructure	3.26	99
Access to major customers	3.13	99
Access to major markets	3.05	96
Air service and direct flights	2.88	85
Average	3.25	99
Outdoor Recreation		
Availability of outdoor recreation	3.75	99

Nevada

Nevada won a rating of 3.21 - slightly below the overall average. The state earned strong ratings for Outdoor Recreation and Financial Issues and below average ratings for the Education and Access and Community Factors. Companies were positive about the tax climate, the availability of venture capital, and air service. Nevada seems to be viewed as a place that provides a good financial climate, but cannot offer educated workers, access, or an appealing quality of life. The quality of the workforce was considered a weakness and perceptions existed that government officials are not involved and supportive.

Outdoor Recreation	Rating	Index
Availability of outdoor recreation	4.17	109
Financial Issues		
Tax climate	3.56	109
Availability of venture capital	3.54	105
Regulatory climate	3.25	104
Workers compensation tax	2.85	95
Average	3.30	104
Education and Access Factor		
Air service and direct flights	3.87	114
Technology infrastructure	3.20	97
Access to major markets	3.17	99
Access to major customers	3.06	97
Ease of skilled workers	3.06	97
Availability of local college/univ.	3.00	87
Education level of workforce	3.00	89
Quality of the workforce	2.85	86
Average	3.15	96
Community		
Community amenities such as arts	3.23	100
Prevailing wage rates	3.12	100
Quality of life	3.09	88
Transportation system	3.08	97
Attitude/involvement local officials	2.96	91
Local unemployment rate	2.93	94
Average	3.07	95

Utah

Utah ranked seventh of the ten states, with a score of 3.16. The state won an above average rating for the Availability of Outdoor Recreation and an average Community Factor rating. A key positive feature for the state was the perception that local officials have a good attitude and level of involvement. In addition, companies gave Utah good marks for the availability of local colleges and universities as well as the education and quality of the workforce. These are the only areas where Utah earned above average ratings. The state received low ratings for financial issues, including the tax and regulatory climate and the availability of venture capital. Other perceived weaknesses were reflected in the ratings for the local unemployment rate and prevailing wage rates.

Outdoor Recreation	Rating	Index
Availability of outdoor recreation	4.00	105
Education and Access Factor		
Availability of local college/univ.	3.83	111
Education level of workforce	3.71	110
Quality of the workforce	3.46	105
Technology infrastructure	3.36	102
Access to major customers	3.05	96
Air service and direct flights	3.00	89
Access to major markets	2.95	93
Ease of skilled workers	2.83	90
Average	3.27	100
Community		
Attitude/involvement local officials	3.67	113
Quality of life	3.42	97
Community amenities such as arts	3.00	93
Transportation system	2.88	91
Local unemployment rate	2.80	89
Prevailing wage rates	2.75	88
Average	3.09	95
Financial Issues		
Availability of venture capital	3.09	92
Tax climate	2.93	90
Regulatory climate	2.82	91
Workers compensation tax	2.55	85
Average	2.85	89

Oklahoma

Oklahoma suffered from weak business image and received below average scores in all four factors. The state won its highest ratings for financial issues and earned an above average score for its workers' compensation tax. The only other above average rated attribute for Oklahoma was for the quality of its workforce. On the other hand, the state was considered to have a number of weaknesses. The lowest rating was recorded for the availability of outdoor recreation. Other weaknesses included availability of venture capital, quality of life, community amenities, air service, the availability of local colleges and universities, and the education level of its workforce.

Financial Issues	Rating	Index
Availability of venture capital	3.13	93
Tax climate	3.12	96
Workers compensation tax	3.11	104
Regulatory climate	3.09	99
Average	3.11	98
Community		
Quality of life	3.21	91
Attitude/involvement local officials	3.11	95
Local unemployment rate	3.06	98
Community amenities such as arts	3.00	93
Prevailing wage rates	3.00	96
Transportation system	2.94	93
Average	3.05	94
Education and Access Factor		
Quality of the workforce	3.34	101
Technology infrastructure	3.17	96
Access to major customers	3.12	98
Availability of local college/univ.	3.11	90
Access to major markets	3.09	97
Education level of workforce	3.08	92
Air service and direct flights	2.94	87
Ease of skilled workers	2.93	93
Average	3.10	94
Outdoor Recreation		
Availability of outdoor recreation	2.83	74

Idaho

Idaho received a composite score of 2.93 and generally below average ratings across the board. The state's rating for perceived quality of life was good and the rating for the Outdoor Recreation Factor was average. The state earned especially low ratings in the Education and Access Factor. Companies were negative about the state and its access including access to markets, customers, and its transportation system and air service. In addition, Idaho received a weak rating for the availability of venture capital. Currently, Idaho is a weak competitor for corporate relocation.

Outdoor Recreation	Rating	Index
Availability of outdoor recreation	3.82	100
Financial Issues		
Tax climate	3.17	97
Regulatory climate	3.08	99
Workers compensation tax	2.88	96
Availability of venture capital	2.71	80
Average	2.96	93
Community		
Quality of life	3.70	105
Attitude/involvement local officials	3.05	94
Community amenities such as arts	2.93	91
Prevailing wage rates	2.90	93
Local unemployment rate	2.74	87
Transportation system	2.65	84
Average	2.99	93
Education and Access Factor		
Availability of local college/univ.	3.25	94
Quality of the workforce	3.03	92
Education level of workforce	2.97	88
Technology infrastructure	2.87	87
Ease of skilled workers	2.68	85
Access to major customers	2.47	78
Access to major markets	2.47	77
Air service and direct flights	2.32	69
Average	2.76	84

Montana

Unfortunately, of all the participating companies Montana received the lowest composite score, at 2.89. As might be expected, Montana was viewed as above average in the Outdoor Recreation Factor, with an index of 103. However, in all other areas, the state received below average ratings. A more detailed analysis of these ratings helps assess the state's relative strengths, weaknesses, and future opportunities.

Outdoor Recreation	Rating	Index
Availability of outdoor recreation	3.92	103

When considering the Community Factor, Montana gets a good score for the quality of life attribute, but a well below average rating for the factor. Montana was considered almost average for the prevailing wage rates and the attitude of local officials. However, the state was viewed less favorably for its local unemployment rate, community amenities, and the transportation system. Promoting the positive involvement of government officials could help improve the state's image.

Community	Rating	Index
Quality of life	3.63	103
Prevailing wage rates	3.05	95
Attitude/involvement local officials	3.04	97
Local unemployment rate	3.03	86
Community amenities such as arts	2.71	85
Transportation system	2.64	84
Average	3.02	93

In the Financial Factor, Montana was considered close to average for most of the individual attributes including workers' compensation tax and the tax and regulatory climate. A perceived weakness for Montana was the availability of venture capital.

Financial Issues	Rating	Index
Tax climate	3.19	98
Regulatory climate	3.01	97
Workers compensation tax	2.96	98
Availability of venture capital	2.74	81
Average	2.97	93

Montana was viewed as being quite weak relative to Education and Access issues. The state earned almost average ratings for the quality and education of the workforce, but much lower ratings in other areas. Access was certainly an issue and Montana received lower ratings than other states. The technology infrastructure was also considered a definite weakness.

Education and Access Factor	Rating	Index
Quality of the workforce	3.07	91
Education level of workforce	3.02	95
Availability of local college/univ.	2.88	87
Ease of skilled workers	2.58	75
Technology infrastructure	2.55	76
Air service and direct flights	2.36	74
Access to major customers	2.32	74
Access to major markets	2.30	70
Average	2.63	80

In general, Montana was considered a remote, undeveloped place that offers good outdoor recreation and some degree of quality of life. Montana was considered somewhat appealing for its attributes as a place to live, although it did not deliver as a business location. The state must determine which features are most appealing and can enhance the state's potential to attract companies.

Comparing the States

Having considered each state, it is important to review them in a comparative context. Montana competes against other states. It is important to understand the key image of each state and the manner in which Montana differs from that.

- Four states are most strongly positioned in Education and Access. Three of these states – California, Washington, and Colorado offer businesses skilled workers and access to markets, while Utah is better known for its educated workforce.
- Texas and Oregon are considered as strongest overall for Community-related Features. Both these states won relatively high scores in other areas, but in a comparative context, they are strongest for community amenities and transportation.
- Nevada is viewed as a state with a good tax and regulatory climate, offering outdoor recreation opportunities. It is not strong in other areas.
- Respondents had weaker imagery perceptions of Oklahoma and Idaho and neither state was viewed positively in any major category. These two states are not strong competitors for Montana.
- Montana does not have a well-developed image among businesses, generally earning below average ratings. The key perceived strengths are that the state offers the availability of outdoor recreation and a good quality of life.

The states with the most positive ratings tend to be located in the Education and Access quadrant, the favored position. Texas benefits from strong ratings in this area and in the Community Factor. These findings suggest that among the states under consideration, the key factors in creating an overall business image are ratings in the Access and Education Factors.

Changing the Image

The perceptual mapping software also provides a method for assessing the impact of changing attitudes relative to specific attributes. The process evaluates how much more positive respondents would be about Montana if the rating for each attribute were increased by one point. The following shows the relative improvement for each attribute. The score itself is useful only in looking at the comparative value of focusing on each attribute. The baseline measurement for Montana was 3.7, so in the following chart, a positive impact of 1 indicates that if the image of the state in that area were improved the new score would be 4.7.

Improving Montana's image in any one attribute has relatively little impact, although the attributes that would have the greatest impact are "access to major customers," "ease of attracting skilled workers," and "quality of the workforce." Interestingly, improving Montana's image as a place with outdoor recreation would have no positive impact on the state's appeal.

Access to major customers	1.0
Ease of skilled workers	0.9
Quality of the workforce	0.8
Prevailing wage rates	0.7
Tax climate	0.7
Access to major markets	0.6
Workers compensation tax	0.6
Technology infrastructure	0.6
Attitude/involvement local officials	0.6
Transportation system	0.5
Education level of workforce	0.5
Availability of venture capital	0.5
Quality of life	0.4
Air service and direct flights	0.4
Regulatory climate	0.4
Community amenities such as arts	0.4
Local unemployment rate	0.4
Availability of local college/univ.	0.2
Availability of outdoor recreation	0.0

We can also explore what would happen if Montana increased its ratings for all the attributes in a factor. This process highlights which of the four main messages will affect the greatest return. As might be expected, improving the state's image in the Education and Access Factors would have the most significantly positive impact. In fact, the impact is quite significant – raising the score from 3.7 to 14.2, or an increase of 10.5 points.

Education and Access	10.5
Community	3.9
Financial	2.8
Outdoor Recreation	0

Since changing the ratings for an entire factor would be difficult, the process was used to identify individual features that would facilitate the most significantly positive result. This accounts for the synergy between the features and how they mutually support one another. If Montana could improve perceptions in the following three attributes, the improvement would be 3.2. These three attributes relate to workforce issues. As such, they could be easily packaged to communicate a meaningful message:

- The quality of the workforce
- The education level of the workforce
- The ease of attracting skilled workers

By also promoting the state's technology infrastructure along with the workforce issues, the positive impact would be an improvement of 4.5. The next three attributes that improve the state's appeal all relate to accessibility. Promoting air service and direct flights increases the impact to 5.4, while then promoting access to major markets increases the impact to 7.3, and promoting access to major customers produces a 9.6 increase.

Montana's strategic decisions must be based on determining how much of its image can be changed and identifying which attributes can be most easily influenced. Recent efforts have attempted to communicate many of the relevant messages – touting Montana as a place with good access, transportation, business climate, and quality of life. While this approach combines all the right messages, it may require greater focus. The key may be to match a more specific message and target it to specific types of companies. For example, it will probably be easier to convince companies that Montana has skilled workers in particular areas of industry. In addition, perceptions that Montana lacks a strong technological infrastructure may be based on a lack of information or mis-information. Given the state's limited resources, its message must be focused. If the message is too ambitious, it will be difficult to influence attitudes in a positive way.

The West vs. the Midwest

This research attempts to identify the attitudinal differences between Western and Midwestern companies. Such differences may indicate that one region offers Montana more potential than the other does. As discussed, among the two, companies in the Midwest are somewhat *less satisfied*.

Note that the rankings for the states are different among the Midwest companies. They are more positive about Montana, although only slightly. They are more positive about Oregon and Washington and less positive about California and Colorado.

1. Oregon
2. Texas
3. Washington
4. California
5. Colorado
6. Oklahoma
7. Nevada
8. Utah
9. Montana
10. Idaho

A review of the ratings for Montana shows that the differences are not great, but they are significant. Companies in the Midwest gave Montana higher ratings in areas relative to the Financial and the Outdoor Recreation Factors, while those in the West were more positive about state attributes comprising the Education and Access Factor. Some specific areas where Midwestern companies were more positive were the attitude and involvement of local officials, the availability of venture capital, and the regulatory climate.

Western-based companies gave Montana ratings that were more positive for transportation, air service, the technology infrastructure, ease of attracting skilled workers, and the availability of local colleges or universities.

Education and Access	West	Index	Midwest	Index
Air service & direct flights	2.41	102	2.24	95
Access to major markets	2.39	104	2.15	93
Quality of the workforce	3.05	99	3.11	101
Education level of workforce	3.01	100	3.04	101
Technology infrastructure	2.57	101	2.50	98
Availability of local college/univ.	2.94	102	2.76	96
Ease of skilled workers	2.63	102	2.48	96
Average	2.71	101	2.61	97

Quality of Life	West	Index	Midwest	Index
Quality of life	3.63	100	3.63	100
Transportation system	2.78	105	2.37	90
Prevailing wage rates	3.01	99	3.13	103
Community amenities such as arts	2.68	99	2.80	103
Attitude/involvement local officials	2.92	96	3.24	107
Local unemployment rate	3.01	99	3.08	101
Average	3.01	100	3.04	101

Financial	West	Index	Midwest	Index
Tax climate	3.15	99	3.27	102
Regulatory climate	2.93	97	3.16	105
Workers compensation tax	2.92	99	3.04	103
Availability of venture capital	2.67	98	2.91	106
Average	2.92	98	3.10	104

Outdoor Recreation	West	Index	Midwest	Index
Availability of outdoor recreation	3.85	98	4.13	105

While Midwestern companies were more positive about Montana, the difference was small and the areas for which more favorable attitudes exist are not necessarily those that would increase Montana's appeal as a business location. Among companies in the West, the standard of comparison for transportation and access issues is a bit different and more positive for Montana. This would allow the state to focus more on promoting the quality of its workforce and technological infrastructure.

Conclusions & Recommendations

These research findings provide Montana with a clear picture of its current image among companies as well as insight into how they evaluate business locations. Generally, companies are satisfied with their current locations, but this satisfaction is not entrenched. As such, a significant number indicates that they would consider other locations. Of course, expressing this attitude is very different from actually moving, but companies will continue to move and expand. Consequently, there is opportunity for Montana to garner a larger share of these relocations.

In evaluating business locations, companies identified four dimensions or factors that they consider. The most important group of attributes relates to Education and Access. Specifically, companies are looking for places that foster a quality, highly educated workforce – a place that will appeal to skilled workers. In addition, linked with the education of the workforce, it is also important that the location has access to customers and markets. These features are among the most important in creating positive business image for a state.

Two other factors are relatively important – the Community and Financial Factors. The Community Factor involves the quality of life, amenities, wage and unemployment rates, and other community amenities. Among these, the most important feature for companies is the “quality of life.” The Financial Factor is another dimension that companies use in the evaluation process, which relates to the tax and regulatory climate of an area.

The final factor that companies use to evaluate and differentiate locations is the Availability of Outdoor Recreation. Though this feature is not extremely important to many companies, it does differentiate some of the locations.

When the Western states were rated, two were considered to offer the most appealing business climate - California and Texas. These two states were well rated for their performance in the area of Education and Access. They also earned strong ratings in the Community and Financial Factors, although they received below average ratings for Outdoor Recreation. Colorado and Washington were awarded above average ratings and their images were more geared toward Education and Access supported by Quality of Life and Outdoor Recreation.

Montana ranked last among the ten states, receiving below average ratings in general. The state was awarded above average ratings in two areas - Availability of Outdoor Recreation and Quality of Life. Unfortunately, the state received low ratings in the area of Education and Access and below average ratings in the Community and Financial Factors. Specifically, Montana received its lowest ratings for access and technological infrastructure. The state seems to be viewed as a remote place and though the quality of life was considered good, it is not considered a good location for operating a business.

The key to changing Montana's image and enhancing its appeal seems to be focusing on either access issues or workforce quality. Improving the state's image in either area will significantly improve its overall image. Currently, claims that the state has good access to major markets and clients will be less believable and generally have less positive impact. Yet, by targeting companies in the West, it will be easier to sell Montana as a place with acceptable access. By focusing attention on three areas that relate to workforce issues, the state can best improve corporate perceptions. These three are the quality of the workforce, the education level of the workforce, and the ease of attracting skilled workers. Additionally, communicating that the state has a strong technological infrastructure will be beneficial. While it is tempting to address all these issues and educate companies as to the many wonderful features of the state, this will prove less effective. A more focused effort will expedite change in the desired areas. At the same time, the underlying theme that the state can reinforce, but does not need to promote, is that Montana offers a good quality of life and commendable outdoor recreational opportunities.

Finally, it will be important to target this message to the appropriate companies. To assess the relative opportunities, attitudinal differences were compared among Western and Midwestern companies. While the findings suggest that companies in the Midwest are slightly less satisfied with their current locations and more positive about Montana, the attitudinal differences were not significant. More importantly, the more favorable attitudes on behalf of the Midwestern companies were not necessarily in areas that would significantly improve Montana's appeal as a business location. Consequently, focusing on companies in the West, perhaps in the more urbanized areas, would be more prudent.

Montana's current image was not strong among the surveyed companies. However, rather than negative attitudes, this can seemingly be attributed to a lack of information. While Montana's ratings were below the average, they skewed to the neutral rather than the negative. Montana should continue to educate companies about the state. The most effective strategy may be to first focus the message on key issues and then expand it over time as the state's overall image improves.

Appendix

Montana Economic Development

Business Image Study Questionnaire

Final - October 26, 1999

Job #: 944101

MARK FROM SAMPLE: CURRENT LOCATION

QUOTA 1 (200)

- 1....Washington
- 2...Oregon
- 3...Idaho
- 4...Colorado
- 5...Utah
- 6...Nevada
- 7...California
- 8...Texas
- 9...Oklahoma

QUOTA 2 (100)

- 10...Illinois
- 11...Missouri
- 12...Kansas
- 13...Indiana
- 14...Minnesota
- 15...Iowa

Hello, I'm _____ from Strategic Research, a market research company.

ASK FOR MANAGER/OWNER

We're conducting a survey today about how business owners and executives view different states and their business climate. We'd like to include your opinions. This survey is for research purposes and no sales effort is involved.

1. As a business person, there are a number of factors that you may consider when evaluating the business climate and desirability of a specific location. I'd like you to consider several factors and rate their importance to you in evaluating a state's business climate. We will be using a 5 point scale where the higher the number the more important the factor. With this scale a 5 would indicate something that you view as very important, while a 1 would indicate something that you view as not at all important. You may use any number between 1 and 5.

When evaluating a state's business climate and desirability how important is...

ROTATE

- ☐ the quality of life
- ☐ the transportation system
- ☐ air service and direct flights
- ☐ accessibility to major markets
- ☐ the quality of the workforce
- ☐ the prevailing wage rates
- ☐ the tax climate
- ☐ the regulatory climate
- ☐ the education level of the workforce
- ☐ the workers compensation tax
- ☐ the availability of venture capital
- ☐ the technology infrastructure
- ☐ the community amenities such as culture, arts, recreation
- ☐ the availability of a local college or university
- ☐ the attitude and involvement of governmental officials
- ☐ the local unemployment rate
- ☐ accessibility to major customers
- ☐ the availability of outdoor recreation activities
- ☐ the ease of attracting skilled workers

2. Now I would like you to rate the performance of the state where you are currently located and a couple other states using this same list of factors. Now, you may not be very familiar with the other states, but I would like you to rate each state based on whatever you may know, have heard or read. We are simply trying to get your image of this state, and its desirability as a business location. Again, we will be using a 5-point scale, where the higher the rating the better your current state meets the needs of your company in this area. How would you rate your current state for... **ONLY RATE THOSE ITEMS**

RATED 4 OR 5 IN Q1

RATE CURRENT LOCATION, MONTANA AND ONE OTHER RANDOMLY CHOSEN FROM THE LIST, NOT THEIR CURRENT LOCATION

- 1.....Washington
- 2.....Oregon
- 3.....Idaho
- 4.....Colorado
- 5.....Utah
- 6.....Nevada
- 7.....California
- 8.....Texas
- 9.....Oklahoma

ROTATE

- ☐ the quality of life
- ☐ the transportation system.....
- ☐ air service and direct flights
- ☐ accessibility to major markets
- ☐ the quality of the workforce
- ☐ the prevailing wage rates.....
- ☐ the tax climate.....
- ☐ the regulatory climate
- ☐ the education level of the workforce
- ☐ the workers compensation tax
- ☐ the availability of venture capital
- ☐ the technology infrastructure.....
- ☐ the community amenities such as culture, arts, recreation
- ☐ the availability of a local college or university.....
- ☐ the attitude and involvement of governmental officials
- ☐ the local unemployment rate
- ☐ accessibility to major customers.....
- ☐ the availability of outdoor recreation activities
- ☐ the ease of attracting skilled workers

3. Thinking about the state you have just been rating, if you were choosing a site to locate a new business, how much would you prefer (FIRST STATE) versus (SECOND STATE)? Would you say strongly prefer (FIRST STATE), somewhat prefer (FIRST STATE), have no preference, somewhat prefer (SECOND STATE), strongly prefer (SECOND STATE)?

4	3	2	1	0
STRONGLY	SOMEWHAT	HAVE NO	SOMEWHAT	STRONGLY
PREFER FIRST	PREFER FIRST	PREFERENCE	PREFER SECOND	PREFER 2ND

4. How many years has your company been in this location? _____

5. How satisfied are you with the state business climate where your company is currently located? Would you say.....

- 1.....Very Satisfied
- 2.....Satisfied
- 3.....Somewhat Dissatisfied
- 4.....Very Dissatisfied

6. How likely would you be to consider moving your business to another state or opening a location in another state? Would you say...

- 1.....Very Likely
- 2.....Somewhat Likely
- 3.....Not Very Likely
- 4.....Not at all Likely

7. How many employees are currently employed at this location? _____

8. What is your title? _____

THANK AND RECORD FROM SAMPLE:

CUSID _____

PHONE _____

DATE OF INTERVIEW _____

INTERVIEWER NAME _____